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SUBJECT: RAHMON LAMBASTS UZBEK ENERGY GRID WITHDRAWAL, ASKS FOR DONOR
HELP

REF: DUSHANBE 1215

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11. (SBU) Summary: President Rahmon convened a surprise meeting of international donors in Dushanbe on November 20 to discuss the energy situation and request assistance in the face of an economic crisis compounded by Uzbekistan's withdrawal from the regional energy system. He lambasted Uzbekistan's conduct on numerous fronts, ranging from energy policy to its meddling in Tajikistan's civil war, and urged the international community to exert pressure on Tashkent. He criticized donors for being soft on Uzbekistan. Rahmon repeated earlier threats to hoard water instead of letting it flow to Uzbekistan. He said Tajikistan would raise the dam at Roghun ahead of schedule to hold water back for winter use downstream at the Nurek hydropower station, and the Qairaqum hydropower station in the north would use its water to generate electricity in the winter, rather than saving it for agricultural use in Uzbekistan during the spring and summer. Rahmon detailed ongoing and planned energy projects, including new transmission lines and hydroelectric stations that he said were necessary to achieve energy independence. Despite Rahmon's stern words, it is not clear that Tajikistan has much room for maneuver. Nor is the situation all that much worse than usual, given that Uzbekistan limits power to Tajikistan each winter anyway. End summary.

THE BAD NEWS ...

12. (SBU) On November 20, the government called donors, including USAID Country Director, to a hastily-convened meeting at the Presidential Dacha in Dushanbe. President Rahmon began the meeting by discussing the global economic crisis and its impact on Tajikistan. Falling aluminum and cotton prices have reduced exports by 35%, with a 10% decrease in overall production, worsened by the energy crisis. Remittances from Tajiks working abroad are also down 35% in the first 9 months of 2009, and budget fulfillment is 95% of targets. (Comment: According to the International Monetary Fund (IMF), exports have declined by only 23%. Since government figures generally use world prices in calculating aluminum exports, even though Tajikistan exports its aluminum at a fixed price under a tolling arrangement, the statistics are not necessarily reliable. Nor is there a direct correlation between decreased aluminum exports and economic difficulties, since profits from aluminum production largely flow to offshore accounts controlled by the country's elite. End comment.)

... AND SOME GOOD NEWS

¶3. (SBU) There was some good news, Rahmon said. The country had recently built over 150 small hydropower stations, with 50 more coming on line this year. The South-North 500 kilovolt (kV) energy transmission line linking Dushanbe and Khujand was completed just a few days ago, providing greater energy independence for Tajikistan's north, which had largely depended on electricity imports from Uzbekistan. Rahmon noted the completion, with Russian investment, of Sangtuda-1 earlier this year, and said the first of Sangtuda-2's two turbines, built with Iranian investment, will come online next year. Most experts believe Sangtuda-2 will not be ready before 2012. Rahmon said the energy situation was better this year than last. Rationing started in November rather than December, and the regions are getting 7 hours this year, rather than just two hours as in previous years. (Embassy note: Rationing started in September in 2008.)

REPEATS THREAT TO HOLD WATER BACK FROM UZBEKISTAN

¶4. (SBU) Despite such efforts, however, Uzbekistan's decision to leave the Central Asian Unified Energy System would force Tajikistan to take drastic measures. Although the energy situation was slightly better this year, the system was operating without a backup. Rahmon said Tajikistan would accelerate construction of the massive Roghun hydropower station, investing \$150 million by the end of this year and the same amount in 2010. (Rahmon had earlier announced that 2009 expenditures would total \$122 million.) Tajikistan needed about \$500 million over four years to complete Roghun. Rahmon provided more detail about Tajikistan's plans to hold back water to generate electricity, thus reducing the volume of water to downstream Uzbekistan. Initially this threat appeared to be an empty one, since Tajikistan already holds back as much water as

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possible on an annual basis to refill its hydroelectric reservoirs (reftel). But Rahmon specified that Tajikistan planned to build the dam at Roghun to a height of 30 meters between now and August 2010, even before Roghun's turbines were ready, to hold more water back for downstream use at Nurek. Tajikistan would continue to raise the Roghun dam every year, which would allow for more generation at Nurek, and would export excess power to Afghanistan along a new 220 kV line.

¶5. (SBU) Rahmon said Tajikistan would hold water back in the Qairaqquq reservoir in the north, on the Syr Darya River, which would have a much more serious impact on Uzbekistan's agriculture. Uzbekistan relies on spring and summer outflow from the Syr Darya to irrigate crops in three of its districts. Rahmon said instead of letting water accumulate in Qairaqquq during the winter months for use in spring and summer both to generate hydropower and to irrigate crops, Tajikistan would generate power all winter long, leaving little for the agricultural season.

SCREED AGAINST UZBEKISTAN WIDENS

¶6. (SBU) Rahmon spent most of the meeting delivering a tirade against Uzbekistan's perfidy, with donors coming under attack as well. He charged that the timing of Uzbekistan's decision was calculated to inflict maximal damage on Tajikistan's economy, to bring the country to heel as an "obedient slave." He cited the many times Uzbekistan had shut off natural gas to Tajikistan over the past 18 years, and the gratuitous blocking of cargo and air and rail links. Fertilizers, for example, had only been available via Afghanistan, Pakistan, and Kazakhstan. (Note: In fact most of Tajikistan's imports come via rail through Uzbekistan. Fertilizer smuggled from Uzbekistan is available on the Tajik market, according to Embassy contacts. End note.)

¶7. (SBU) Rahmon said Uzbekistan forced Tajikistan to waste half its hydropower production, since Tashkent made it difficult for Tajikistan to export its excess summer generation from Nurek via

Uzbek transmission lines. This year, Tajikistan produced 2 billion kilowatt hours (kWh) of surplus power at Nurek, half of which was lost because Uzbekistan refused to allow onward power distribution, and the remainder of which was sold to Uzbekistan at rock-bottom prices for lack of another market. Rahmon was angry as well at Tashkent's refusal to allow winter energy from Turkmenistan to transit the Uzbek grid to Tajikistan. Going further back, Rahmon criticized Uzbekistan's role in the civil war, complained about its land mines along the Tajik border, and blamed Uzbekistan for destroying the Aral Sea.

DONORS COME IN FOR DRUBBING TOO

18. (SBU) Rahmon then rounded on donors, criticizing them for strengthening Uzbekistan's hand vis-a-vis Tajikistan and failing to take Uzbekistan to task on child labor and land mine issues. The Asian Development Bank (ADB) came in for particular criticism. Rahmon alleged that the Japanese and Koreans lobbied the ADB to provide loans to Uzbekistan -- for example, \$180 million for a railroad link to Afghanistan -- while the Bank withdrew support for the CASA 1000 project to build an electric transmission line linking Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan. (Comment: Sources at the ADB have told us the project was not economically viable. Another source, however, has suggested they may have been influenced, at least in part, by a desire to avoid upsetting Karimov. End comment.) ADB assistance helped Uzbekistan preserve the railway monopoly into and out of Tajikistan that it has enjoyed since Soviet days, so that Tajikistan must use the Uzbek city of Termez even to ship cargo by rail to neighboring Afghanistan. Rahmon bitterly criticized the ADB's decision to host its annual international meeting in Tashkent in the spring of 2010, charging that it gave inappropriate political support to the regime.

REQUEST FOR ASSISTANCE

19. (SBU) Rahmon said he was sending letters to the presidents of all donor organizations and representations requesting assistance and criticizing Uzbekistan's destructive activities. He sought donor support for several specific projects. Among them were three critical power lines: a 220 kV line from Khujand via Penjakent to Ayni, another 220 kV line from

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Qairaqqu to Asht, and, in the south, a 500 kV line from Sangtuda-1 to Dushanbe, helping to protect the capital and Tajikistan's sole large industry, the Talco aluminum plant at Tursonzoda. Rahmon said the 220 kV line to Afghanistan was urgently needed before May 2010, so Tajikistan could export excess summer power directly. (Note: According to ADB representatives, it will not likely be completed before December 2010. End note.) He cited as well the geopolitical importance of completing the CASA 1000 line to supply power to Afghanistan and Pakistan.

110. (SBU) Rahmon also requested support for various hydropower projects. He said Tajikistan needed 2,000 megawatts (MW) of additional capacity to satisfy domestic needs. Projects underway included the 220 MW Sangtuda-2; Roghun, which is expected to generate 3,600 MW; a 270 MW thermal plant in Dushanbe to be built with Chinese assistance; the 160 MW Zaravshan hydropower station, which would have no reservoir and hence no downstream impact, but which Uzbekistan objected to anyway; modernization of the Qairaqqu hydropower station; a 400 MW station near Isfara; and two 500 MW stations in Nurobad, above the Roghun site. Some \$500 million is also needed for reconstruction at Nurek, which had been in operation for 36 years, 15 years beyond its expected useful life. The Zaravshan project has had a feasibility study conducted by the German Technical Assistance Agency (GTZ) and could be ready in two-and-a-half years. The Qairaqqu modernization was under consideration at the European Bank for Reconstruction and Development (EBRD), although Rahmon would rather they invested in Zaravshan. More immediately, Dushanbe needs some 40,000 tons of fuel to start its thermal plant. He mentioned a joint electricity and gas pipeline between Tajikistan, Afghanistan,

and Turkmenistan, for which some \$40 million is needed. In response to donor concerns about transparency, Rahmon said he was "for reform," although he was not specific. He noted the \$30-40 million debt owed by the Ministry of Water Resources to Bargi Tojik, resulting in the latter's inability to pay for Sangtuda-1 power generation.

DONORS DETAIL SUPPORT

¶11. (SBU) Donors noted plans underway to assist Tajikistan. The ADB said its energy team would visit the following week, while the World Bank would send its regional director and energy team the week of December 7, during which they would request a meeting with the President. The World Bank announced it would help buy the fuel to start Dushanbe's thermal plant. If additional funds are available, the World Bank would consider more funding to expand electrical metering. The Bank was continuing its environmental and social assessments of Roghun and CASA 1000. The EBRD said it did not have concessional loans available for infrastructure, but with EU, Swiss, and Japanese help it was supporting an energy efficiency effort, refurbishing existing hydro plants, and seeking support for additional small and medium hydro projects, while developing the legal framework governing those operations.

COMMENT: TAJIKISTAN HOLDS FEW CARDS

¶12. (SBU) The fact that Rahmon personally called in donors to discuss the power issue is evidence of just how rattled he and his government are by Uzbekistan's withdrawal from the energy grid. The question remains, however: what can Tajikistan do? Threats to hold back water from Uzbekistan may be more Kabuki theater than realistic options: to the extent water is held back, it cannot be used to generate much-needed power in Tajikistan. Although plans to raise the dam at Roghun ahead of schedule may have some impact on downstream users, only at Qairaqum, which generates a mere 126 MW at peak capacity, does Tajikistan have the ability to really interfere with Uzbek agriculture.

¶13. (SBU) Rahmon's plea for power lines to protect Talco brings us to another elephant in the room: a major threat to Tajikistan's energy security is the aluminum plant, which consumes the lion's share of Tajikistan's electricity at highly subsidized rates, while most of the population sits in the dark. It is financially non-transparent and returns little of its revenue to Tajikistan's budget. Rahmon was, in effect, pleading with donors to subsidize his personal wealth, at the expense of

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the people of Tajikistan. Any assistance to Tajikistan to resolve its energy shortages must address Talco's consumption and financial structure. Meanwhile, despite the heightened rhetoric, the situation is not significantly worse than in previous years, since Uzbekistan routinely withheld power exports to Tajikistan during much of the winter, and blocked the transit of power from Turkmenistan as well. With full reservoirs after a rainy summer, Tajikistan may not be much worse off than last year. End comment.

ATTENDEES AT THE MEETING

¶14. (U) Government representatives at the meeting included Matlubhon Davlatov, Presidential Advisor on Economic Affairs; Farrukh Hamraliev, Minister of Economic Development and Trade; and Pulod Muhiddinov, First Deputy Minister of Energy and Industry. Donor representatives included the Asian Development Bank (ADB), the European Bank of Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the World Bank, the International Monetary Fund (IMF), the UK Department for International Development (DFID), the European Union, the German Agency for Technical Cooperation (GTZ), the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Cooperation Agency (SIDA), and USAID.

QUAST